

Cyprus: Financial assistance provisions to change



The Cypriot Companies Law Cap. 113 (the “Companies Law”) which is almost identical to the UK 1948 Companies Act has played a significant role in the development of Cyprus as a key jurisdiction for structuring international transactions since it combines a favourable tax regime and common law system based on the UK principles.

Section 53 of Companies Law on financial assistance, which has never been amended, has on certain occasions in the past, created structuring problems in international transactions. The wording of the Section is wide and (i) the absence of relevant case law in Cyprus; and (ii) the absence relevant case law in the U.K which would be persuasive to the courts of Cyprus has created problems in a number of international transactions.

It is now contemplated that a new law will pass that will amend the relevant Section 53 to allow financial assistance in particular instances, provided that, the shareholders of the company providing the financial assistance will consent to that. The procedure is similar to the “whitewash procedure” well known to the UK jurisdiction. The bill has been prepared and it is expected to be passed in the near future by the Cypriot Parliament which is the legislative body.

This development can only be seen as a positive one since it will give the possibility for more international transactions to be structured through Cyprus without hindrance from the existing financial assistance provisions.

A more detailed letter will be provided by Aristodemou Loizides Yiolitis LLC upon the enactment of the bill into law.

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Aristodemou Loizides Yiolitis & Co. is a business law firm with qualified Cyprus lawyers practicing in international banking and finance transactions. In the past year the firm acted for international institutions and reputable companies on transactions involving Cyprus. Should you require further information you may contact Pavlos Aristodemou aristodemou@alycolaw.com